## WATER TRANSFER WORKING GROUP PROJECT DESCRIPTION

**APPLICATION NO./COURT CLAIM NO.**
Commitment of Trust Water under Water Right Nos. CS4-00365CTCLsb5, CS4-01676(B)CTCL@1 and CS4-02223CTCLsb2@1 for winter mitigation for 190 unit development permitted under Water Right No. G4-35248P. (Forest Ridge Project). See attached Permit and map.

<table>
<thead>
<tr>
<th>APPLICANT NAME</th>
<th>CONTACT NAME</th>
<th>TELEPHONE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Snowshoe LLC</td>
<td>David Blanchard</td>
<td>(509) 674-6828</td>
</tr>
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<table>
<thead>
<tr>
<th>WATER RIGHT HOLDER’S NAME (if different)</th>
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<tbody>
<tr>
<td>Scatter Creek Resources LLC</td>
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<table>
<thead>
<tr>
<th>DATE OF APPLICATION</th>
<th>PRIORITY DATE</th>
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<tbody>
<tr>
<td>June 5, 2009</td>
<td>June 5, 1886 CS4-00365CTCLsb5</td>
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<tr>
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<td>June 30, 1900 CS4-01676(B)CTCL@1</td>
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<tr>
<td></td>
<td>July 31, 1903 CS4-02223CTCLsb2@1</td>
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<table>
<thead>
<tr>
<th>WATER SOURCE:</th>
<th>CROP:</th>
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<tbody>
<tr>
<td>Well(s)</td>
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</table>

<table>
<thead>
<tr>
<th>INSTANTANEOUS QUANTITY:</th>
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<table>
<thead>
<tr>
<th>PERIOD OF USE:</th>
<th>PURPOSE OF USE:</th>
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<tbody>
<tr>
<td>Continuous</td>
<td>Domestic and lawn and garden irrigation</td>
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</table>

<table>
<thead>
<tr>
<th>PLACE OF USE:</th>
<th>PURPOSE OF USE:</th>
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<tbody>
<tr>
<td>N ¾ and the N ½ SW ¼ SW ¼ of Section 24, Township 20 North, Range 15 E. W.M.</td>
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<table>
<thead>
<tr>
<th>IRRIGATION METHOD:</th>
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<table>
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<tr>
<th>CONSUMPTIVE USE CALCULATION:</th>
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<tr>
<td>One hundred ninety (190) ERUs at 30% consumptive use (CU) for septic system totals 31.95 afy with total CU = 9.59 afy.</td>
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</tbody>
</table>

The storage for the Bureau Exchange is based on the CU (Oct 1 to April 30) = 5.57 afy, and the additional 1/3 of stored quantity to add to Parker target flows = 1.86 afy.

The total placed into the Bureau Exchange = 7.43 afy (5.57 + 1.86).
NARRATIVE DESCRIPTION OF PROJECT:

This proposal is to use water already in the trust water right program and committed to an approved Water Right No. G4-35248P for 190 lots in the Forest Ridge property. See Permit (Exhibit A); see map (Exhibit B). The Water Right Permit authorizes winter mitigation for the development of 190 connections from storage that may be provided by the applicant’s private storage or upon Ecology’s approval, under the Bureau-Ecology Exchange contract. Because the applicant has not constructed storage, the winter use of water for this project will be mitigated by asking Ecology to use the available and already committed trust water for the water right for the Bureau Exchange contract. See Letter to Mark Kemner (Exhibit C). There is no new or additional impact to the system then already permitted; rather the applicant is requesting assignment to and use of the Bureau Exchange as storage for mitigation and not its own storage. The drainage from the development is to the Yakima River.
STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

PERMIT
TO APPROPRIATE PUBLIC WATERS OF THE STATE OF WASHINGTON

☐ Surface Water (Issued in accordance with the provisions of Chapter 117, Laws of Washington for 1917, and amendments thereto, and the rules and regulations of the Department of Ecology.)

☒ Ground Water (Issued in accordance with the provisions of Chapter 263, Laws of Washington for 1945, and amendments thereto, and the rules and regulations of the Department of Ecology.)

<table>
<thead>
<tr>
<th>PRIORITY DATE</th>
<th>APPLICATION NUMBER</th>
<th>PERMIT NUMBER</th>
<th>CERTIFICATE NUMBER</th>
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<tbody>
<tr>
<td>June 5, 2009</td>
<td>G4-35248</td>
<td>G4-35248P</td>
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NAME
Iron Snowshoe LLC (Forest Ridge)

ADDRESS (STREET)
206 West First Street
Cle Elum, WA WA 98922

The applicant is hereby granted a permit to appropriate the following public waters of the State of Washington, subject to existing rights and to the limitations and provisions set out herein.

PUBLIC WATERS TO BE APPROPRIATED

SOURCE
Up to three wells

TRIBUTARY OF (IF SURFACE WATERS)

MAXIMUM CUBIC FEET PER SECOND
250

MAXIMUM GALLONS PER MINUTE
63.9

MAXIMUM ACRE-FEET PER YEAR

QUANTITY, TYPE OF USE, PERIOD OF USE
250 gallons per minute, 31.95 acre-feet per year for year-round multiple domestic supply of up to 190 units, 31.95 acre-feet per year for the irrigation of 12.87 acres from May 1 — September 30.

LOCATION OF DIVERSION/WITHDRAWAL

APPROXIMATE LOCATION OF DIVERSION—WITHDRAWAL
500 feet east and 1,000 feet north from the SW of Section 24, T. 20 N., R. 15 E.W.M. — Well ID BAF623
800 feet west and 500 feet south from the NE of Section 24, T. 20 N., R. 15 E.W.M. — Well ID APB228
1,000 feet west and 2,000 feet south from the NE of Section 24, T. 20 N., R. 15 E.W.M. — Well ID ALN806

Up to three wells in the SW1/4 of Section 30, Township 20 North, Range 16 E.W.M.

TOWNSHIP N.
SW1/4 or NE1/4, SE1/4

W.R.L.A.
COUNTY
39 Kittitas

PARCEL NO.
LATITUDE
N

LONGITUDE
W

DATE

RECORDED PLATTED PROPERTY

LEGAL DESCRIPTION OF PROPERTY ON WHICH WATER IS TO BE USED

N1/4 and the N1/4SW1/4SW1/4 of Section 24, Township 20 North, Range 15 E.W.M.

DESCRIPTION OF PROPOSED WORKS

Two existing water supply wells are located on-property (Well IDs ALN806 and APB228) and one existing well is located adjacent to the property (BAF623). These wells are completed in bedrock to depths of 120 and 243 feet, respectively. A second water supply source is also under consideration and would consist of up to three wells to be completed in the unconsolidated Yakima River alluvium at a property know as the Flatwater development. Water from either wells ALN806, APB228, and BAF623 or new wells completed in the alluvium will be used for domestic supply for a planned 190 unit residential development. The proposed domestic use will be regulated as a Group A, community public water system by the Washington State Department of Health. Domestic wastewater will be discharged to an onsite, engineered community drain field.

DEVELOPMENT SCHEDULE

BEGIN PROJECT BY THIS DATE: December 31, 2011

COMPLETE PROJECT BY THIS DATE: December 31, 2021

WATER PUT TO FULL USE BY THIS DATE: December 31, 2025

PERMIT
Page 1 of 3

WRKTS File ID in: G4-35248

2011-17
PROVISIONS

Wells

1. The water supply wells shall consist of either existing wells ALN806, APB228, and BAF623 completed in bedrock and hydraulically related to the Yakima River or up to three wells to be drilled and completed in the unconsolidated alluvial deposits in hydraulic continuity with the Yakima River. Use of a combination of wells completed in both alluvium and bedrock is not authorized.

2. Proposed wells at the Flatwater site shall not be completed within 500 feet of any existing wells to avoid potential well interference.

3. Use of well BAF623 is contingent on completing a pumping test and providing the results to Ecology to confirm that impairment of other groundwater wells will not occur.

4. In accordance with WAC 173-160, wells shall not be located within certain minimum distances of potential sources of contamination. These minimum distances shall comply with local health regulations, as appropriate. In general, wells shall be located at least 100 feet from sources of contamination. Wells shall not be located within 1,000 feet of the boundary of a solid waste landfill.

5. All wells constructed in the state shall meet the construction requirements of WAC 173-160 titled "Minimum Standards for the Construction and Maintenance of Wells" and RCW 18.104 titled "Water Well Construction". Any well which is unusable, abandoned, or whose use has been permanently discontinued, or which is in such disrepair that its continued use is impractical or is an environmental, safety or public health hazard shall be decommissioned.

6. Flowing wells shall be constructed and equipped with valves to ensure that the flow of water can be completely stopped when not in use. Likewise, the well shall be continuously maintained to prevent the waste of water through leaky casings, pipes, fittings, valves, or pumps -- either above or below land surface.

7. All wells shall be tagged with a Department of Ecology unique well identification number. If you have an existing well and it does not have a tag, please contact the well-drilling coordinator at the regional Department of Ecology office issuing this decision. This tag shall remain attached to the well. If you are required to submit water measuring reports, reference this tag number.

8. Required installation and maintenance of an access port as described in WAC 173-160-291(3).

9. In order to maintain a sustainable supply of water, pumping must be managed so that static water levels do not progressively decline from year to year. Static water level is defined as the water level in a well when no pumping is occurring and the water level has fully recovered from previous pumping. Static water levels shall be measured bi-annually (May and September), using a consistent methodology. Data for the previous year shall be submitted by January 31 to the Department of Ecology.

10. Static water level data shall be submitted in digital format and shall include the following elements:
   a. Unique Well ID Number.
   b. Measurement date and time.
   c. Measurement method (air line, electric tape, pressure transducer, etc.).
   d. Measurement accuracy (to nearest foot, tenth of foot, etc.).
   e. Description of the measuring point (top of casing, sounding tube, etc.).
   f. Measuring point elevation above or below land surface to the nearest 0.1 foot.
   g. Land surface elevation at the well head to the nearest 0.1 foot.
   h. Static water level below measuring point to the nearest 0.1 foot.

Aquifer Source Selection and Well Testing

Ecology cannot issue a permit with multiple sources. Therefore, the applicant must choose a source aquifer to supply the requested project. Due to the hydrogeologic uncertainties and lack of site specific data available at the Forest Ridge site, the applicant has not yet selected a source aquifer. Therefore, Ecology is requiring the following provisions.

11. Northland must select a source aquifer to supply the Forest Ridge development by July 2, 2012.

12. Northland shall retain the services of a licensed hydrogeologist to develop a well test plan for the Forest Ridge site.

13. The hydrogeologist shall submit a well test plan to Ecology for review and approval prior to well testing.

14. The hydrogeologist shall submit a hydrogeologic report to Ecology which includes: general hydrogeologic description, site specific hydrogeologic description, analysis on well testing with raw data and results. The report shall be stamped, dated and signed in accordance with Chapter 18.220 RCW and WAC 308-15-075. The report shall be submitted to Ecology no later than February 2, 2012.

Metering and Reporting

15. An approved measuring device shall be installed and maintained for each of the sources authorized by this water right in accordance with the rule "Requirements for Measuring and Reporting Water Use", WAC 173-173. http://www.ecy.wa.gov/programs/wr/measuring/measuringhome.html

16. Water use data shall be recorded weekly and maintained by the property owner for a minimum of five years. The maximum monthly rate of diversion/withdrawal and the monthly total volume shall be submitted to the Department of Ecology by January 31st of each calendar year.

17. Recorded water use data shall be submitted via the Internet. To set up an Internet reporting account, contact the Central Regional Office. If you do not have Internet access, you can still submit hard copies by contacting the Central Regional Office for forms to submit your water use data.
General

18. Department of Ecology personnel, upon presentation of proper credentials, shall have access at reasonable times, to the project location, and to inspect at reasonable times, records of water use, wells, diversions, measuring devices and associated distribution systems for compliance with water law.

19. The water right holder shall file the notice of Proof of Appropriation of water (under which the permit of water right is issued) when the permanent distribution system has been constructed and the quantity of water required by the project has been put to full beneficial use. A certificate will reflect the extent of the project perfected within the limitations of the water right. Elements of a proof inspection may include, as appropriate, the source(s), system instantaneous capacity, beneficial use(s), annual quantity, place of use, and satisfaction of provisions.

20. The water source and/or water transmission facilities are not wholly located upon land owned by the applicant. Issuance of a water right change authorization by this department does not convey a right of access to, or other right to use, land which the applicant does not legally possess. Obtaining such a right is a private matter between applicant and owner of that land.

21. Use of water under this authorization shall be contingent upon the water right holder's maintenance of efficient water delivery systems and use of up-to-date water conservation practices consistent with established regulation requirements and facility capabilities.

22. Use of water under this authorization shall be contingent upon the Department of Ecology's written approval of and permit holders' compliance with a storage and release plan which addresses historic out-of-irrigation season (October 1 to March 31) impacts associated with the withdrawals under this permit. If the aforementioned storage and release plan is not implemented consistent with the mitigation offered, all outdoor use shall no longer be authorized until such time that Ecology issues a letter stating that mitigation has been sufficiently reinstated.

23. Per WAC 173-539A, consumptive use authorized under this permit shall be water budget neutral. Consumptive use quantities (total withdrawal minus return flow) shall be fully offset by debit of an equal consumptive use quantity of seasonal irrigation water rights placed into permanent trust in the Washington State Trust Water Right Program by Northland Resources LLC.

24. Water use under this authorization is contingent upon the conveyance of an equal (38.3 acre-feet per year) or greater amount of consumptive use from a suitable instream flow right (see trust water right agreement) to the Washington State Trust Water Right Program.

25. The connection limit (190 units) is contingent upon the approval of a Group A Water System by the Washington State Department of Health (DOH). 190 connections is a maximum limit. The permittee recognizes that the DOH may limit the connections to less than requested because the estimated indoor water use is not consistent with the DOH Water System Design Manual which recommends a minimum daily demand of 200 gpd for indoor use. If DOH requires a minimum indoor use greater than the 150 gallons per day per connection as proposed, the permittee may choose to reduce the number of connections and/or acres of irrigation to accommodate this greater minimum daily demand.

This permit shall be subject to cancellation should the permittee fail to comply with the above development schedule and/or to give notice to the Department of Ecology on forms provided by that Department documenting such compliance.

Given under my hand the seal of this office at Yakima, Washington, this _6_ day of _October_ 2011.

Ted Sturdevant, Director
Department of Ecology

DATA REVIEW

[Signature]

Melissa Downes, Acting Section Manager
Water Resources Program/CRO

If you need this publication in an alternate format, please call Water Resources Program at 309.575.2490. Persons with hearing loss can call 711 for Washington Relay Service. Persons with a speech disability can call 877-833-6341.
December 30, 2011

Mark Kemner
Water Resources Manager
Central Regional Office
Department of Ecology
15 West Yakima Ave., Suite 200
Yakima, WA 98902-3452

Re: Request for Trust Water Commitment for Bureau Exchange Contract

Dear Mark:

On behalf of Sapphire Skies, I am requesting that mitigation water available from the Sapphire Skies trust water rights represented by Henshaw, CS4-00365CTCLsb5, Newton, CS4-01676(B)CTCL@1, and Pasco, CS4-02223CTCLsb2@1, be assigned to the Bureau of Reclamation water exchange contract to provide storage for winter mitigation of the Forest Ridge (G4-35248) permit.

As described below, the amount assigned to the Bureau contract will be 7.43 acre-feet per year (afy).

The Forest Ridge project has been approved in Water Right Permit No. G4-35248 for up to 190 residential units. The right is conditioned on mitigation allocated from the Sapphire Skies Instream Flow Water Rights in the state Trust Water Right Program as provided in the permit, and further recognized in the Superseding Trust Water Right Agreement between Ecology and Sapphire Skies. Therefore, this is not a request for a water budget neutral project. Rather, as we have completed in the past for other permitted projects, it is a request to have that portion of the approved mitigation quantity under the permit for winter mitigation be stored and available under the Bureau exchange contract, rather than private storage constructed by Sapphire Skies. This is consistent with the terms of the Superseding Trust Water Right Agreement.

The quantity of water allocated to the exchange for this permit is as follows:

Ecology has authorized 150 gpd indoor use per Equivalent Residential Unit (ERU). One hundred ninety (190) ERUs with 30% consumptive use (CU) for septic system, equates to total use of 31.95 afy with total CU = 9.59 afy.
Ecology has authorized 0.168 afy per ERU for irrigation use from May 1 through September 30. One hundred ninety (190) ERUs with 90% CU equates to total use of 31.95 afy with total CU = 28.76 afy.

Trust water rights held in the Sapphire Skies Water Exchange exceed the CU for this and other projects mitigated by the exchange between May 1 and September 30.

The storage for the Bureau Exchange is based on the CU (Oct 1 to April 30) = 5.57 afy, and the additional 1/3 of stored quantity to add to Parker target flows = 1.86 afy.

Total debited from TWR is the sum of the indoor CU, irrigation CU, and additional 1/3 for storage (9.59 + 28.76 + 1.86) = 40.21 afy. The total placed into the Bureau Exchange = 7.43 afy (5.57 + 1.86).

We have also confirmed that the Contract Cost = $4,779.06 ($22 per afy of stored water with 5.57 afy stored for 39 years). We will provide you with a check for this amount upon your approval of this request.

When approved, please provide us with documentation that we can provide to the County for obtaining necessary permits to develop the project. We ask that the documentation state with specificity that Ecology certifies that the project has available water for year-round residential use in compliance with WAC 173-539A.

Thank you for attention to this matter.

Sincerely,

Thomas McDonald
Direct Line: (360) 786-5039
Email: tmcdonald@cascadiafirm.com
Office: Olympia

cc: Melissa Downes, DOE
    David Blanchard and Sean Northrop, Northland Resources